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23 May 1957

CURRENT INTELLIGENCE WEEKLY SUMMARY



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T H E W E E K I N B R I E F

PART I

OF IMMEDIATE INTEREST

THE FRENCH CABINET CRISIS Page 1

The urgency of the financial question over which Premier Mollet fell on 21 May places the French assembly under considerable pressure to approve a new cabinet quickly. Nevertheless, the complete absence of any clear alternative to Mollet's 16-month-old minority government may result in a prolonged cabinet crisis. [REDACTED]

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PART II

NOTES AND COMMENTS

INDONESIA Page 1

Tension remains high in the non-Javanese provinces of Indonesia, while central government officials in Djakarta are sharply and openly divided on how to end provincial disaffection. Prime Minister Djuanda has advocated a more conciliatory policy than Sukarno's and, as a result, has been publicly opposed by his own deputy prime minister and in one instance overruled by the army chief of staff. [REDACTED]

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THE SUEZ ISSUE Page 2

The UN Security Council debate on Suez ended on 21 May without any action, but the council remains seized of the question. Israel may soon test canal passage, and could do so with little or no advance notice. [REDACTED]

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THE SYRIAN SITUATION Page 3

Two weeks after the rightist defeat in the parliamentary by-elections, political events in Syria show further encroachment by leftists in the government and army. The country remains in a state of limited martial law, and open criticism of the government may soon be silenced. Foreign and domestic policy follow extreme leftist lines, and attacks on the United States are increasing in frequency and bitterness. [REDACTED]

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ADENAUER'S WASHINGTON VISIT Page 4

Chancellor Adenauer is scheduled to begin his Washington talks on 27 May at a time when West Germany is in the midst of a lively debate over disarmament and European security arrangements. The approaching Bundestag elections will make Adenauer unusually eager to demonstrate an identity of views with American leaders, since the opposition Social Democratic Party would exploit any appearance of differences. [REDACTED]

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SOVIET THREATS AGAINST ATOMIC ARMS FOR WEST GERMANY . . . Page 5

The USSR's diplomatic warnings to Bonn that grave consequences are inherent in arming West German forces with nuclear weapons apparently are being supplemented by planted reports that Moscow will not tolerate such a move and is prepared to take military action to prevent it. These warnings, taking advantage of the nuclear arms controversy in West Germany, have been accompanied by hints that the USSR would make concessions on reunification if Bonn would withdraw from NATO. The Soviet Union made similar threats of military action in late 1954, when it was trying to block ratification of the Paris agreements bringing West Germany into NATO. [REDACTED]

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GOMULKA GAINS SUPPORT AT CENTRAL COMMITTEE MEETING Page 6

The Polish Communist central committee closed its ninth session on 18 May with a resolution reaffirming Gomulka's "October" program and the principles of Polish independence within the Soviet bloc enunciated in Gomulka's 15 May keynote speech. Although deep factional cleavages within the party have not been healed, Gomulka's firm policy statement, after six months of uncertainties and lack of control at the lower party levels, will probably win substantial support from the broad mass of hitherto uncommitted party functionaries. [REDACTED]

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SOVIET-MONGOLIAN ECONOMIC AGREEMENTS Page 8

The Soviet-Mongolian communiqué issued in Moscow on 14 May itemizing new Soviet aid to Outer Mongolia marks another step in Moscow's policy of maintaining a major voice in Mongolian affairs while avoiding the appearance of direct control typical of the Stalin era. Moscow has agreed to turn over control of the petroleum industry and mineral exploitation and to provide financial assistance for Mongolia's three-year plan, which begins next year. Peiping apparently is not contesting the continued dependence of Outer Mongolia on Soviet economic assistance and has hailed the agreements as indicating the existence of a "new equality and mutual assistance" between a large and small country. [REDACTED]

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NORTH VIETNAM'S LAND REFORM POLICY MISCARRIES Page 9

The North Vietnam government's vacillating land reform policy is creating dissatisfaction and confusion among the peasantry. The regime is welshing on its promises to restore to small independent peasants land taken away from them during the land reform campaign of 1954-56. Some members of the party district and village committees have resigned in protest over this zigzag policy. Catholics, a large minority in North Vietnam, are among the most vocal critics. [REDACTED]

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LAOS Page 10

Premier Souvanna Phouma probably will remain in office and will be given a fresh opportunity to settle the Pathet Lao problem. Souvanna is planning to make the Pathets a "take-it-or-leave-it" offer of a coalition government in return for promises of submission to the royal government's authority. The Pathets are unlikely to give these guarantees, but will probably seek to prolong negotiations in order to further their subversive activities. [REDACTED]

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THE SITUATION IN HAITI Page 10

A military government seized power in Haiti on 21 May but may have difficulty maintaining control, particularly if there is a general strike. Despite an early announcement that the army unanimously supports the chief of staff, who engineered the bloodless coup, a serious rift may exist in the general staff. [REDACTED]

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ARGENTINA CONCERNED OVER PERON'S ACTIVITIES Page 11

Argentina's provisional government believes that Peron, now in Venezuela, is a threat to its stability as long as he remains in the hemisphere, but efforts to have him ousted have failed. Peronista exiles, especially in the five countries neighboring Argentina, are engaged in propaganda beamed at Argentina. [REDACTED]

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[REDACTED] Meanwhile, a new upsurge in army dissension has resulted in the arrest of the army commander in chief and 20 officers. [REDACTED]

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BURMESE GOVERNMENT MAY NEGOTIATE WITH INSURGENT COMMUNISTS Page 13

Despite continued official insistence on unconditional surrender of the insurgent Burma Communist Party, the Burmese government is reported divided on the question of a settlement. It seems only a question of time before some kind of negotiations are begun. The campaign of the insurgent Communists to achieve legal status is being supported by other Communist groups and pro-Communist members of the Burmese parliament. []

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FOOD SHORTAGE POSES THREAT TO EAST PAKISTAN GOVERNMENT . . Page 14

Rapidly rising food prices in East Pakistan in recent weeks have endangered the provincial government, which is led by the eastern branch of Prime Minister Suhrawardy's Awami League. A similar food crisis in 1956 was an important factor in the downfall of the previous East Pakistan government, and a repetition could threaten Suhrawardy's central government coalition. The central government is unlikely to secure the rice it needs from Southeast Asia, and may make an urgent request for additional American assistance. []

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CYPRUS Page 14

Greece continues to seek American intervention to break the deadlock over Cyprus and hopes continued quiet on the island will induce the British to reopen negotiations with Archbishop Makarios. Britain hopes discussions on the international status of Cyprus will be initiated within the NATO framework before it begins negotiations with the Cypriots on self-government. NATO's Secretary General Spaak has already begun informal consultations with the permanent representatives of Britain, Greece, and Turkey. []

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NEW ITALIAN CABINET Page 15

The Christian Democratic minority government of Adone Zoli may depend on the "benevolent abstention" of some of the small parties when it seeks parliamentary confirmation on 29 May, but its chances are at present rated fairly good. Zoli reportedly is working out a program that might give his government more than "caretaker" status. []

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JAPANESE CONSERVATIVES PLAN CRACKDOWN ON LEFTIST LABOR UNION Page 16

The ruling Liberal-Democratic Party, under the guidance of Prime Minister Kishi's cabinet, is planning a new labor program which would curb the political power of the leftist Japan General Council of Trade Unions (Sohyo), but would also include "progressive" features designed to have wide popular appeal. The government has strong popular support for its program. []

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SOUTH KOREAN ARMED FORCES COMMAND CHANGES Page 17

The sweeping command changes in the South Korean armed forces recently announced by President Rhee were probably initiated to reduce factionalism, to improve morale and efficiency, and to assure delivery of the military vote to the Liberal Party in the 1958 assembly elections. The changes are not likely to affect the combat capability of the armed forces and do not foreshadow preparations for a "march north." [REDACTED]

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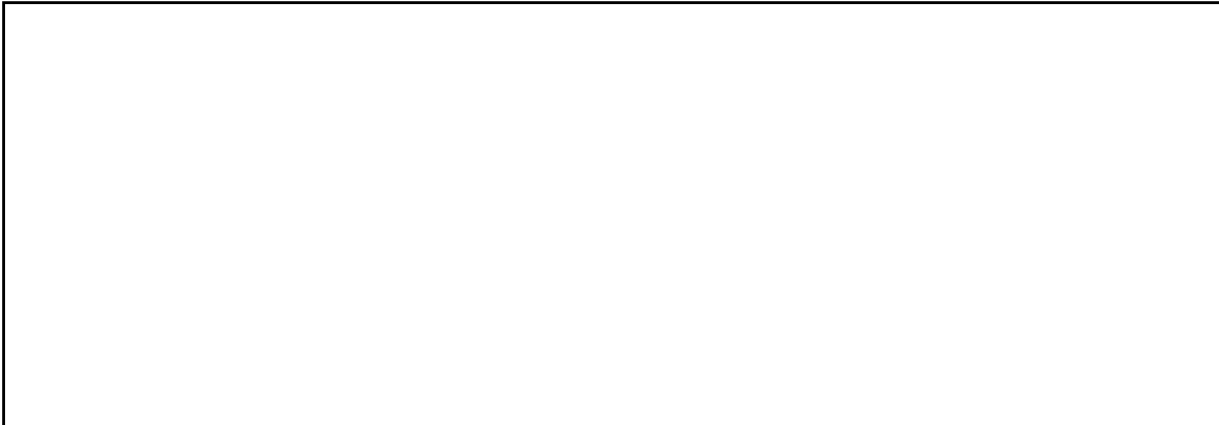
PART III**PATTERNS AND PERSPECTIVES****PUBLIC DISCUSSION IN THE USSR Page 1**

The Soviet leaders, moving away from the arbitrariness of the Stalin era, are attempting, by encouraging public discussion, to enlist popular support for the solution of complex and pressing domestic problems. Since 1953, when a public examination of "contradictions" in Soviet society was officially sanctioned, these discussions have been marked by increasing boldness and candor, culminating this year in a frank airing of domestic problems and shortcomings in the Soviet Communist Party press. In order to keep these discussions under control, the regime finds it necessary continually to redefine the limits of criticism.

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DETERIORATING CONDITIONS IN SPAIN Page 3

The severe inflation in Spain is causing increasing dissatisfaction with Franco's regime even among the groups that have supported him in the past. The Falange has been weakened by disaffection within its ranks, and elements of the church are moving to dissociate themselves from the regime. In view of his skill in playing one group against another and his ability to suppress overt opposition, Franco probably is in no immediate danger. However, his position is less secure than in the past. [REDACTED]

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MAO TSE-TUNG'S UNPUBLISHED SPEECHES Page 11

Mao Tse-tung, in two speeches on 27 February and 12 March, which have not yet been published, stated in Marxist terms that differences or "contradictions" existed in China between the populace and the Communist leaders which might lead to strife if left to be handled by bureaucratic means. He emphasized that these differences were reconcilable and advocated persuasion rather than force to resolve them. Moscow will find Mao's doctrines generally acceptable, although Soviet leaders have some reservations about their application. Polish leader Gomulka has endorsed the doctrines but has made clear that he would limit their application in Poland. [REDACTED]

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PART I

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THE FRENCH CABINET CRISIS

The urgency of the financial question over which Premier Mollet fell on 21 May places the French assembly under considerable pressure to approve a new cabinet quickly. Nevertheless the complete absence of any clear alternative to Mollet's 16-month-old minority government may result in a prolonged cabinet crisis.

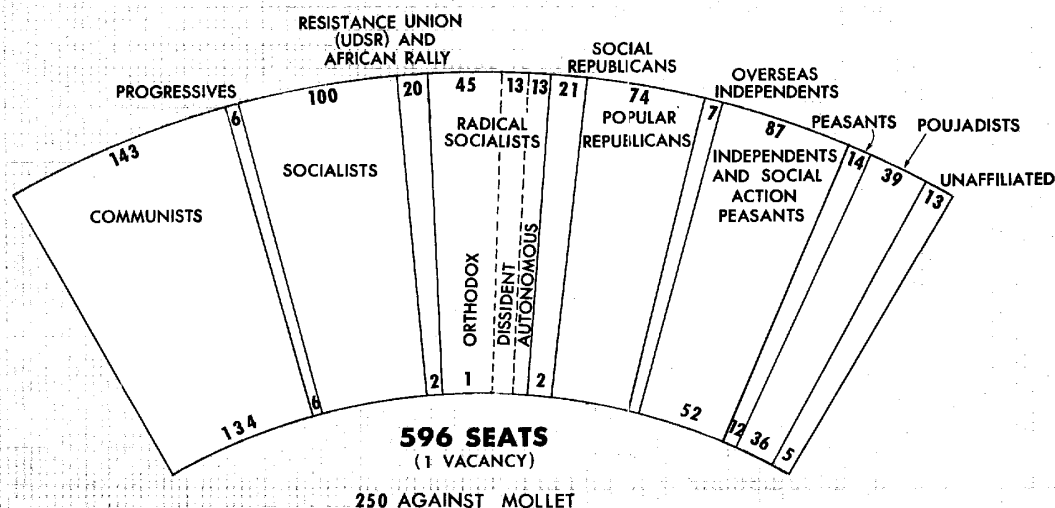
President Coty's consultations with party leaders for a successor are complicated by the fragmented nature of the National Assembly, which gives Mollet's 100 Socialist deputies virtually a veto power on any new coalition. There are reports that the Socialists hope for a long crisis which might facilitate Mollet's eventual

return with a broadened coalition. The Independent-Peasant bloc--heartened by its success in recent by-elections and its improved tactical position in the assembly--has added to the pressure by calling for a non-Communist National Union government and by claiming that it could block the formation of a new government.

France's worsening financial situation and the continuing Algerian problem, however, create counterpressures for a speedy solution to the cabinet crisis. The country's liquid assets are almost exhausted, and early assembly approval is needed to release Bank of France gold and dollar reserves. New taxes and budgetary economies

FRENCH NATIONAL ASSEMBLY

PARTY STRENGTH IN LEGISLATURE



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are essential, but the assembly will prefer goals limited to getting "France's house in order" before external aid is requested.

These pressures could lead the assembly to decide on an interim premier. Outgoing Minister of Justice Francois Mitterrand and ex-premier René

Pleven, both of the small Resistance Union Party, are now spoken of as possible early compromise choices. Their party has worked with both the Independents and the Socialists, and on the Algerian issue both have adopted a position which could be expected to have broad support.

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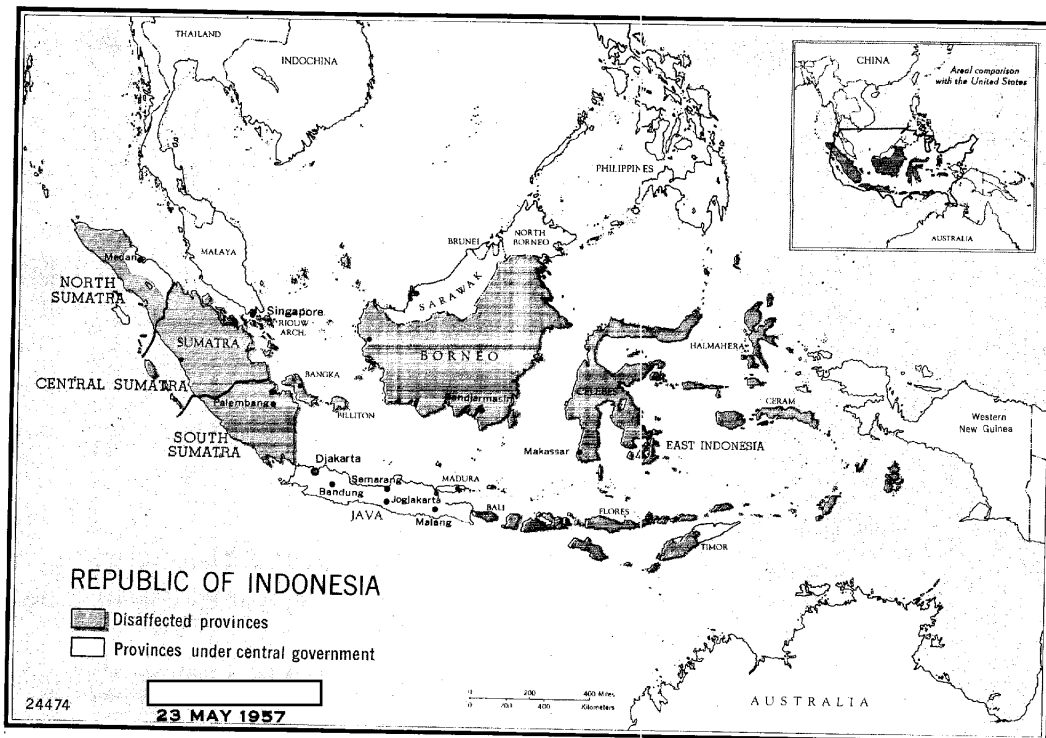
INDONESIA

Tension remains high in the non-Javanese provinces of Indonesia, while central government officials in Djakarta are sharply and openly divided on how to end provincial disaffection.

In his first appearance before parliament since he assumed office in April, Prime Minister Djuanda stated on 17 May that relations with the provinces must be readjusted, and that he intends to meet provincial demands as far as is possible. Having just visited East Indonesia, Djuanda advised against the removal of the area commander, Lt. Col. Samual, as unlikely to improve the situation.

Djuanda's deputy prime minister, Hardi of the National Party, declared the same day, however, that he did not favor compromise with the provinces. On 18 May, the army announced the relief of Samual, on orders of Chief of Staff Nasution. Although President Sukarno did not become publicly involved in either issue, he undoubtedly approved the actions of both Hardi and Nasution.

Samual is unlikely to obey the order relieving him and reportedly has stated that he would arrest Nasution if he should come to East Indonesia. Moreover, the Nasution-Djuanda dispute over Samual will be interpreted in the provinces as proof

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that conciliatory forces in Djakarta are in the minority, and that Djuanda will be overruled whenever his policies conflict with Sukarno's.

In Central Sumatra, a series of public gatherings held to honor several distinguished visitors--including former vice president Hatta, Masjumi chairman Natsir, and police chief Sukanto--have highlighted regional determination to maintain an autonomous position. The greatest enthusiasm was noted at a rally honoring Hatta. Hatta strongly supported provincial demands and warned Djakarta that prevailing political strife could lead to anarchy. He tempered his support, however, by stating that regional activity was not "separatist" in nature but was a movement aimed at "the development of the whole Indo-

nesian archipelago." Hatta's support probably will be used by Sumatran leaders in an effort to promote a return to "federalism."

Meanwhile, the central government's increasing economic difficulties have stimulated rumors of rupiah devaluation. Inflation has been a chronic problem in Indonesia, but has become noticeably worse in recent months, with money in circulation having reached the highest recorded level since independence. Contributing to the government's economic woes are decreased revenue resulting from the establishment of direct trade between outlying provinces and foreign ports and a greatly increased budgetary deficit caused by the recent allocation of funds for economic development in the provinces.

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THE SUEZ ISSUE

The UN Security Council debate on Suez ended on 21 May without any action, but the council remains seized of the question. Israel may soon test canal passage, and could do so with little or no advance notice.

French foreign minister Pineau expressed gratification at the course of the two-day debate on Egypt's canal declaration, called at France's request. Without introducing any resolution that might have strained other members' support of France, Pineau gained general reaffirmation of the French view that Egypt's declaration is inadequate.

The parliamentary defeat of the Mollet government, whose leaders felt committed to maintain France's intransigent policy toward Egypt, may open the way to early French resump-

tion of use of the canal. Any candidate for premier who announced himself favorable to such a policy would attract support, particularly from the right. Even before Mollet's fall, French shipping companies reportedly were planning on the assumption that the boycott would be rescinded after the Security Council debate.

Mollet's defeat appears also to have reduced prospects for all-out French support of any Israeli effort to send a ship through the canal.

Britain is following up its agreement with Egypt on payment for use of the canal with wider economic talks beginning 23 May--a development which is being exploited by a press-and-whispering campaign begun in normally anti-Western quarters in Beirut to suggest

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that a general British-Egyptian rapprochement is taking place at the expense of the United States and France. British officials in the past week have indicated no hurry to re-establish diplomatic relations with Cairo, and say that London hopes to negotiate a long-term settlement with "an Egyptian government," but not now.

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The Israelis are continuing their psychological warfare campaign on the Suez issue. Although Israeli ambassador Eban last week stated officially that Israel had no present plans for making a test of its right to use the canal, the Israeli embassy in Paris is briefing selected correspondents to the effect that a ship is now being readied for such a test. Israel is trying by these means to keep this question of its rights alive, and possibly also to provoke Egypt into making a bellicose gesture or statement which would give the Israelis a diplomatic advantage.

Israel appears to be pursuing somewhat similar tactics with regard to a test of the

Tiran Strait and the Gulf of Aqaba. Press reports, originating with Israeli sources, have alleged that the Israeli-flag vessel Atlit, which is en route to Eilat around Africa, left Djibouti in French Somaliland on 20 May. Lloyd's, however, has reported that the vessel only left Durban, South Africa, on 18 May, and it is now estimated that the Atlit will not arrive at Eilat until between 7 and 17 June.

The Egyptians have made no clear public statement as to what their response to Israeli test attempts would be.

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Egypt apparently is still relying on the Saudis to meet the Israeli challenge on the Aqaba issue, since no statements on this have appeared. If the Saudis allow an Israeli ship to pass the Tiran Strait, Nasr might seek to use this fact to damage Saud's standing in Arab eyes.

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THE SYRIAN SITUATION

Two weeks after the rightist defeat in the parliamentary by-elections, political events in Syria show further encroachment by leftists in the government and army, the American embassy in Damascus reports. The country remains under a state of limited martial law, and open criticism of the government may soon be silenced. Pro-Western and moderate elements are continually losing ground to the leftist Baath and Communist forces. Foreign

and domestic policy follow extreme leftist lines, and attacks on the United States are increasing in frequency and bitterness. The Soviet Union is constantly being promoted as the protector in military, economic, and political affairs.

Transfers and proposed transfers of army officers, some of them for training in Moscow, have increased tension within political and army circles.

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The disorganized but vocal opposition continues its strong criticism of government policy, to little avail. The conservatives have fallen back on their old tendency to blame their election defeat on external circumstances rather than their own lack of unity and organization. The Nationalist Party is split into rightist and leftist factions and has suffered the loss of several leaders who have resigned from the party in disgust. The acceptance of an invitation by Sheik Mustafa Sibai, Moslem Brotherhood leader and defeated rightist candidate, to visit Moscow is an indication of Soviet influence. Visits by conservative leaders to Cairo show the extent of Egyptian prestige.

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ADENAUER'S WASHINGTON VISIT

Chancellor Adenauer is scheduled to begin his Washington talks on 27 May at a time when West Germany is in the midst of a lively debate over disarmament and European security arrangements and when many Germans believe American policy toward Europe is undergoing a change. The approaching Bundestag elections will make Adenauer unusually eager to demonstrate an identity of views with American leaders, since the opposition Social Democratic Party (SPD) would exploit any appearance of differences.

The West Germans have been agitated by press reports that Washington plans a demilitarized zone "from France to Estonia" without German unification. These reports moved the SPD to charge that Adenauer's policies were "thoroughly compromised" and would collapse. Even after

Secretary Dulles' press statement on 14 May opposing any military arrangement in Europe based on Germany's partition, only Adenauer's Christian Democratic Union (CDU) was ostensibly convinced that no American policy change was in prospect.

While Adenauer and other Bonn officials steadily insisted that a general disarmament agreement must include provisions for unification, their attitude has not crystallized in respect to limited agreement. On 15 May the chancellor endorsed the idea of a "test tube" arms inspection area in Europe, referred to by President Eisenhower on 8 May, but emphasized that Soviet forces in East Germany should come under such inspection.

In general, Adenauer evidently believes that the West

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Germans regard the Soviet position on German matters as so hopeless that they will demand no major shift in Western policy. Responding to what seems to be a public demand for "reasonable flexibility," however, Adenauer has twice recently offered to renounce military use of the East zone upon German unification.

German public opinion continues to give Adenauer trouble on the question of nuclear weapons for the Bundeswehr. The

latest opinion poll shows that 72 percent of the people are opposed to its having such weapons and 77 percent are opposed to the stationing of atomic weapons in the Federal Republic. While in the period before the election the government will emphasize its desire for disarmament, it probably holds to its public position of early spring that eventually the Bundeswehr must have atomic arms if other "fourth powers" do.

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SOVIET THREATS AGAINST ATOMIC ARMS FOR WEST GERMANY

The USSR's diplomatic warnings to Bonn that grave consequences are inherent in arming West German forces with nuclear weapons apparently are being supplemented by planted reports that Moscow will not tolerate such a move and is prepared to take military action to prevent it. These warnings, taking advantage of the nuclear arms controversy in West Germany, have been accompanied by private hints that the USSR would make concessions on reunification if Bonn would withdraw from NATO.

The planted reports are intended to reinforce the warnings in Moscow's 27 April note to Bonn that arming the Bundeswehr with nuclear weapons would expose West Germany to a "terrible danger," would strike an "irreparable blow" at reunification prospects, and would trigger an atomic arms race in Europe in which the Soviet bloc would take "appropriate measures" to strengthen its defenses.

These activities are reminiscent of the Communist deception campaign in late 1954 designed to block ratification of the Paris agreements which brought West Germany into NATO. At that time, Moscow sought to

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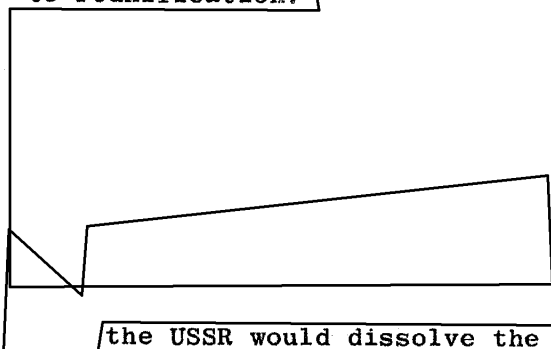
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arouse public alarm in Western Europe by circulating reports and rumors of imminent Soviet military action and general war.

While the immediate aim might be to forestall atomic armament of the new West German forces, the USSR may also seek to exploit both Germany's basic revulsion at the prospect of nuclear warfare and its desire for reunification, to further the standing Soviet objective of increasing popular opposition to German membership in NATO. Moscow has continued to hint that it is preparing new proposals which will open the way to reunification.



Warsaw pact without demanding dissolution of NATO or the withdrawal of NATO forces from Germany, if West Germany would leave NATO and restrict itself to greatly limited forces with only conventional weapons. West Germany

could preserve its connections with the West. The USSR, under this plan, would withdraw all but a token force from East Germany and push for German reunification on the basis of the latest East German proposal for a German federation.

This plan

follows the general line taken by Alexandr Alexandrov, first secretary of the Soviet embassy in Bonn, in talks with West German politicians last February and March in which he hinted that Moscow might propose that the four powers call on the two German governments to announce their readiness to withdraw from the Warsaw pact and NATO and consult on drafting an all-German constitution.

GOMULKA GAINS SUPPORT AT CENTRAL COMMITTEE MEETING

The Polish Communist central committee closed its ninth session on 18 May with a resolution reaffirming Gomulka's "October" program and the principles of Polish independence within the Soviet bloc enunciated in Gomulka's 15 May keynote speech. Although the deep factional cleavages within the party have not been healed, Gomulka's statement of a firm policy, after six months of uncertainties and lack of control at the lower party levels, will probably win him substantial support from the broad mass of uncommitted party functionaries.

The final resolution, while clearly demanding full respect for Poland's national sovereignty and its own forms of building socialism, specifically renounced "national Communism" and pledged no revival of bourgeois characteristics. It also expressly reaffirmed Poland's ties with the Soviet Union and branded as "false pretense" those claims voiced by members of the Stalinist Natolin faction that "the policy of the party leads to the weakening of the alliance with the USSR."

Although the resolution contained strong denunciation

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of extremist views on both sides, it cited liberal tendencies as representing the greatest danger to socialism. Party members guilty of either factionalism or the public expression of opposition to party



JERZY MORAWSKI

policies were warned that they could be expelled for such activity.

Franciszek Mazur--hitherto regarded as a leader of the Stalinist wing--reportedly provided one of the dramatic moments of the meeting by proclaiming his loyalty to Gomulka's October program. This move, coupled with broad Soviet publicity given to Gomulka's keynote speech, suggest Soviet endorsement of Gomulka's continued leadership of the Polish party. Mazur's gesture reportedly followed a bitter factional struggle in which Gomulka was supported by former party chief Ochab, and in which virtually every aspect of the October program came under criticism by the Natolinists.

Two of Gomulka's closest collaborators, Zenon Kliszko and politburo member Jerzy Morawski, were nominated for secretaryships

in the central committee. The Natolin faction apparently did not even attempt a nomination of one of their number. Ochab was relieved from his post as secretary, freeing him to concentrate his efforts on the key tasks of agricultural reforms. His removal does not appear to have been a demotion.

A special resolution condemning past security police activities placed the responsibility for them on former politburo member Jakub Berman and former security minister Stanislaw Radkiewicz and ousted both from the party, though it



ZENON KLISZKO

stated that neither of them was aware of these excesses. The real blame was leveled at former Security Ministry officials, including Swiatlo.

Gomulka has probably strengthened his position by winning broader support from the center of the party. The extremist wings within the party, however, probably continue strongly to oppose his program. A party congress has been called for December, and Gomulka will probably take strong measures prior to the meeting against anyone who openly opposes his policies.

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SOVIET-MONGOLIAN ECONOMIC AGREEMENTS

The Soviet-Mongolian communiqué issued in Moscow on 14 May itemizing new Soviet aid to Outer Mongolia marks another step in Moscow's policy of maintaining a major voice in Mongolian affairs while avoiding the appearance of direct control typical of the Stalin era. At the same time, it apparently attempts to bolster Outer Mongolia's claim to UN membership as a fully sovereign state.

Moscow has agreed to turn over control of the petroleum industry and the mineral exploitation company and to provide 200,000,000 rubles in financial assistance for Mongolia's three-year plan, which begins next year. Peiping, which has hailed the agreements as indicating the existence of a "new equality and mutual assistance" between a large and small country, apparently is not contesting the continued dependence of Outer Mongolia on Soviet economic assistance.

The communiqué notes that Moscow had already made available to Outer Mongolia 900,000-000 rubles (\$225,000,000 at the official exchange rate) in the past ten years, and had turned over to it control of its banking apparatus and certain railroad facilities.

Although China in recent years has increased its participation in the development of Outer Mongolia's economy, it has contributed considerably less than the USSR. The only loan Peiping is known to have extended, announced in August 1956, consists of the equivalent of \$40,000,000 and covers the

years 1956-59. The money is being used to build small industrial plants, and, according to Ulan Bator radio, "thousands of Chinese workers" are giving direct assistance in the development of industry and agriculture.

Communist China's improved standing in Outer Mongolia is indicated by the recent reshuffling of Mongolia's representation in Peiping. The former Mongolian ambassador has been recalled to Ulan Bator to take up the post of vice minister of foreign affairs. The new ambassador is a man of considerably more prestige and was previously a vice premier.

While there may be some truth in rumors that the Chinese Communist leaders are disturbed over the continued dependence of Outer Mongolia on Soviet economic assistance, Peiping is not in a position to contest Soviet predominance in the country at this time. Actually, Peiping has a genuine interest in seeing economic development take place in Outer Mongolia and has praised Soviet efforts along these lines. The Chinese apparently co-operated with the Russians and Mongolians in planning and achieving the rapid completion of the Trans-Mongolian Railroad, which has shortened the Moscow-Peiping run by 715 miles, facilitating Sino-Soviet trade. The Chinese Communists continue to support the Kremlin's efforts to portray Outer Mongolia as a sovereign state. (Continued in by ORR)

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NORTH VIETNAM'S LAND REFORM POLICY MISCARRIES

The North Vietnam government's vacillating land reform policy is creating dissatisfaction and confusion among the peasantry. The regime is welshing on its promises to restore to small independent peasants land taken away from them during the land reform campaign of 1954-56. Some members of the party district and village committees have resigned in protest over this zigzag policy.

As a result of popular revulsion against the violence and other excesses of party workers in the land reform campaign, an "error-correction" program was inaugurated last fall. The party workers' bias in favor of the poorest peasants during land reform had led to the dispossession not only of the larger landowners but also of many peasants owning and tilling small sections of land who were misclassified as landlords. At the same time, estimates of normal crop yields had been set unreasonably high to increase the tax burden on the peasants. Many of the party workers themselves became unsympathetic to party directives and were expelled from the party for failing to display the requisite zeal.

Hanoi's efforts beginning last fall to correct the situation did not have the desired effect of relaxing tensions in the countryside. The main obstacle was resentment on the part of the poor peasants who received land in the original land reform program. The Hanoi party press last month noted that "individuals who were awarded land during agrarian reform" and participated in the denunciation of landholders

are afraid that they now must give up part of their property.

Faced with the possibility of losing support of the poor peasants, the Hanoi regime has shifted ground again and has begun to renege on its "error-correction" campaign. In February the restoration of property to former owners was ordered suspended, and today the regime is emphasizing the need to "rely completely on the poor peasants" in determining the reclassification of landlords--a development which will presumably preserve for the poor peasants most of their gains under land reform.

This new shift in land policy has evoked renewed criticism of the regime from the dispossessed small landowners who had hoped to get their property back. Catholics, a large minority in North Vietnam, appear to be among the most vocal critics. After several riots occurred last fall, principally instigated by Catholics in rural areas, Hanoi pursued a policy of conciliation toward the Catholics. Now, however, individual priests are being denounced in the press, and the church is accused of "engaging in political activities prejudicial to the policy of the state and the laws of the country."

Although Hanoi would probably like to scrap its error-correction program entirely, the regime sees a political need to appease small landowners and so is continuing the program in name at least. It is increasingly nervous, however, about the effect of its policies on rural morale.

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LAOS

The preponderance of evidence indicates that there will be no early government crisis in Laos and that Premier Souvanna Phouma will be given a fresh opportunity to settle the Pathet Lao problem. This development is due primarily to the fact that no other Laotian political leader is capable of mustering sufficient support in the National Assembly to replace Souvanna.

Souvanna, who is displaying renewed confidence, is preparing to reveal to the recently reconvened National Assembly a "new" plan for a "final" round of negotiations aimed at a settlement with the Pathet Lao. He has indicated that he intends to make a "take-it-or-leave-it" offer of a coalition government in return for firm guarantees of Pathet submission to central authority.

The prospects are that the assembly, anxious for peace and unity, will support Souvanna's "new" approach. The deputies, however, seem to be increasingly aware of the Communist orientation of the Pathet Lao and probably will resist being stampeded into a "give-away" settlement.

The Pathets are likely to seize on any offer from Souvanna as an opportunity to prolong negotiations and to further their subversive activities. They are most unlikely to give the guarantees demanded by Vientiane, unless they can negotiate a substitution of language sufficiently vague to satisfy the form but not the substance of the government's demands. They may, however, abandon their insistence that Laos immediately accept Chinese Communist aid as evidence of the royal government's neutrality.

Meanwhile, the Pathets, backed by Peiping and Hanoi broadcasts, have opened a strong propaganda campaign to shift blame for the continued division of the country on American interference. Pathet Lao leader Prince Souphannouvong, in a recent interview in Vientiane, justified Pathet demands for far-reaching concessions by the government on the grounds that American domination of Laos is so strong that protective guarantees are essential.

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THE SITUATION IN HAITI

A military government seized power in Haiti on 21 May but may have difficulty maintaining control. Despite an early announcement that the army unanimously supports chief of staff Brigadier General Leon Cantave, who engineered the bloodless coup, the American embassy in Port-au-Prince re-

ports that a serious rift may exist in the general staff. When Cantave issued his communiqué dissolving the governing executive council, most senior colonels failed to sign the document, and a group of young officers armed with tommyguns reportedly intimidated them with a show of strength.

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In a conversation with US ambassador Drew on 22 May, Cantave claimed that the failure of the senior colonels to sign the communiqué and their subsequent resignation from the army resulted from the fact that they are mulattoes in a predominantly Negro army.

Another threat is a possible general strike. Many

the past. An apparently spontaneous strike against Cantave occurred early in May.

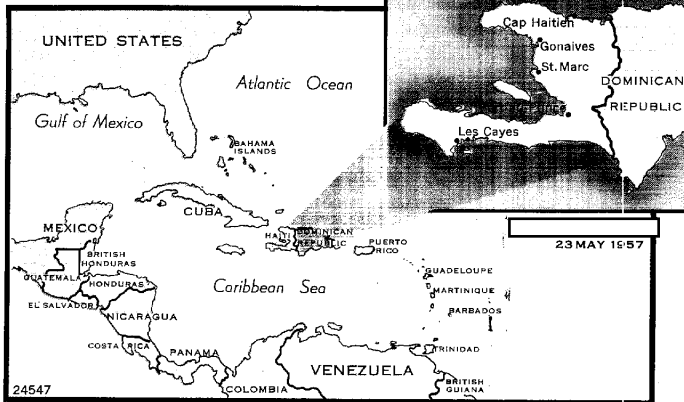
Cantave has proclaimed that the army will enforce military rule until a provisional president is chosen who can guarantee "free and honest" elections. If elections are held--they have been postponed three times--they will probably be neither free nor honest. Both Cantave and Clement Jumelle, the presidential candidate he seems to favor, are believed to have acquired considerable wealth during the regime of ex-president Paul E. Magloire and to be interested in controlling Haiti's government to protect their fortunes.

Despite the threats to his position, Cantave is reported in control of Port-au-Prince. His

soldiers are patrolling the streets enforcing a curfew and maintaining order, and the city is reported quiet. Ambassador Drew reports, however, that Cantave is in an emotional state and appears scared. Cantave predicted to Ambassador Drew that if a general strike forces his ouster, Haiti will be thrown into a civil war between the blacks, including the army, and the mulatto minority.

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HAITI

shops closed in Port-au-Prince on 21 May, and an unconfirmed report states that shops may also be closed in the provinces. Louis Dejoie and Daniel Fignole, presidential candidates who were the real powers behind the executive council, may have instigated the strike. Both have been instrumental in calling successful general strikes in

ARGENTINA CONCERNED OVER PERON'S ACTIVITIES

Argentina's provisional government believes that former dictator Juan Peron is a threat to its stability as long as he remains in the hemisphere, but efforts to have him ousted from the Americas have failed. Argentina's cool treatment of

Venezuela, now host to Peron, has contributed to this failure. The regime has also failed to persuade foreign governments to turn over to it Peron's assets abroad, which can be used to finance revolutionary planning and activities.

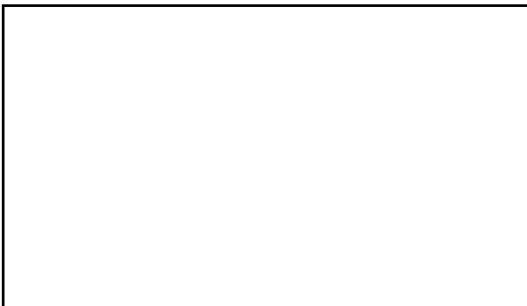
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Peron apparently has large sums of money available for propaganda and subversive activities, and he reportedly feels confident of returning to Argentina. Pedro Estrada, chief of Venezuela's security, told Ambassador McIntosh on 23 April that Peron is still a powerful individual and has under his control a "tremendous organization," adding that more newspapers throughout Latin America were "controlled by or favorable to Peron than one would imagine."

After a recent talk with Peron, Estrada told McIntosh that he was convinced the Aramburu government would fall and that Peron, even if he does not return to Argentina himself, will be successful in putting a man of his selection in the presidency. This opinion, plus Peron's financial resources may account in part for Venezuela's refusal to oust him.



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JUAN PERON

Peronistas in Chile have been urging Peron to visit there, thus suggesting [redacted]

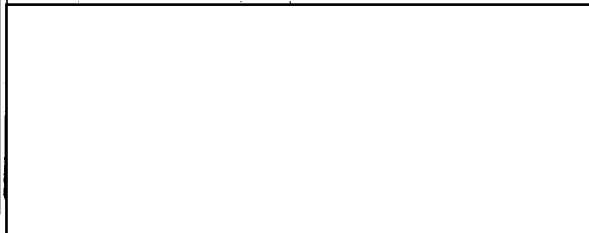
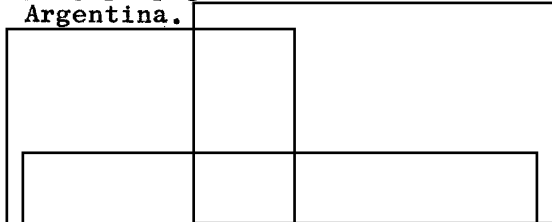
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[redacted] "something big was hatching" among the exiles in Chile. President Ibanez, having granted temporary asylum to six prominent Peronistas who escaped from an Argentine prison last March, told Ambassador Lyon on 6 May that the question of Peron's entry had arisen, but said he hoped to avoid admitting him.

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In the five countries bordering Argentina, Peronista exiles are engaged in various types of activity aimed at undermining the Aramburu regime. This includes operating clandestine radios as well as shipping propaganda materials into Argentina.

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Meanwhile, in a separate development, a new upsurge in army dissension has been highlighted by the replacement of the war minister and the arrest on 22 May of the army commander in chief and some 20 other officers. Major points of army dissension reportedly include the man chosen as the new war minister, the program for reorganization of the army, and the plans for holding elections to a constituent assembly.

to a constituent assembly prior to national elections.

The air minister issued on 22 May a strongly worded order of the day ordering air force members to tend to their jobs and stay out of politics. The navy is reported quietly backing Aramburu, but trying to appear completely removed from the army quarrel in an effort to prevent it from deteriorating into open revolt. [REDACTED]

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BURMESE GOVERNMENT MAY NEGOTIATE WITH INSURGENT COMMUNISTS

Despite continued official insistence on unconditional surrender of the insurgent Burma Communist Party (BCP), the Burmese government is reportedly divided on the question of a settlement.

Over the past six months, insurgent Communist Party chairman Thakin Than Tun has sent a number of widely publicized letters to key government figures, urging an end to the "civil war" so that "progressive" forces could work together to promote Burma's development. Earlier letters in the series, while couched in conciliatory terms, sought to create the impression that the BCP was dealing from a position of strength, and implicitly placed the onus for continuation of the conflict on the government.

In the most recent letter, dated 10 May and addressed to the home minister, the BCP lowered the price for a settlement, suggesting that peace could be achieved if the government dropped the word "surrender" and replaced it with the word "amnesty."

Other Communist groups have given support to the BCP's peace campaign through the medium of the Internal Peace Organization, a front group apparently created to propagandize insurgent peace feelers. It is headed by Thakin Kodaw Hmaing, a recipient of the Stalin "peace" prize who, as Burma's "grand old man of letters," has frequently served the Communists well as a front. Large crowds at many of the Internal Peace Organization's rallies attest to growing popular discontent over the lack of any real security in all but the few largest towns in Burma.

The principal opposition to the government in parliament--members of the Communist-dominated National United Front--is conducting a well-organized campaign to publicize the issue and bring popular opinion to bear on the government. The appealing arguments of this group stand in sharp contrast to the government's weak rebuttals.

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government will offer less harsh terms which will be acceptable to the insurgents. The supreme commander of the armed forces is said to be prepared to resign if this should occur. In view of its inability to suppress the insurrection militarily, the army is in a poor position to

argue against peace negotiations, and it seems only a question of time before the government consents to sit down with BCP representatives in an effort to devise a formula permitting the insurgents to surrender with minimum loss of face. []

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FOOD SHORTAGE POSES THREAT TO EAST PAKISTAN GOVERNMENT

Rapidly rising food prices in East Pakistan in recent weeks have endangered the provincial government, which is led by the eastern branch of Prime Minister Suhrawardy's Awami League. A similar food shortage in 1956 was an important factor in the downfall of the previous East Pakistan government, and a repetition could threaten Suhrawardy's central government coalition. The central government, unlikely to secure the rice it needs from Southeast Asia, may make an urgent request for additional American assistance.

While the activities of speculators have contributed to the 30-percent increase since mid-April in the price of rice, the basic cause is the failure to secure adequate imports. The East Pakistan government, lulled by a good winter rice crop, did not ask the central government to pro-

vide sufficient imports. The central government has not secured even the inadequate amounts requested, and although it now claims to have commitments for the amounts needed, it is still only negotiating for most of these supplies.

Suhrawardy has charged that rumors spread by pro-Communists and speculators are behind the price rises and has ordered the central government to send extra shipments to the area. He has also threatened to have the army patrol the border between East Pakistan and India to reduce the widespread smuggling of rice to India. Meanwhile, the provincial government has introduced modified rationing. These actions are not likely to halt the rising prices, however, since additional imports of several hundred thousand tons are needed to meet the minimum requirements. []

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CYPRUS

Greek and Greek Cypriot leaders, seeking ways to break the stalemate over Cyprus, continue to solicit American intervention. Foreign Minister Averoff told Ambassador Allen on 20 May that Greece and Archbishop Makarios could accept

independence for Cyprus guaranteed by a 20-year international treaty, although such a solution would have to be proposed and supported by "others."

Makarios reportedly intends to leave Athens soon on

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an "enlightenment" mission to Scandinavia and then plans to proceed to the United States in time for the opening of the UN General Assembly session next fall. Athens probably hopes that continued peace on Cyprus will lead to an invitation for Makarios to negotiate in London. However, the British are not likely to receive Makarios except as part of a delegation of representatives of the various communities on Cyprus--Greek, Turkish and perhaps Maronite and Armenian. The British ambassador in Athens told his American colleague on 17 May that his government would not be pleased if Makarios arrived in London uninvited. Nevertheless, he added, it would have to talk to him.

Although London has not yet officially indicated any departure from its previous intention to retain bases on Cyprus regardless of its eventual disposition, Governor Harding said on 6 May that Britain is reassessing the strategic value of the island.

Britain hopes discussions on the international status of Cyprus will be initiated within the NATO framework before it

begins negotiations with the Cypriots on self-government. NATO's Secretary General Spaak has already begun informal consultations with the permanent representatives of Britain, Greece and Turkey. Britain is prepared to proceed with the partition of the island if Greece and Turkey cannot reach an agreement with London on another solution of the problem.

According to the British ambassador in Athens, London would prefer that Makarios meanwhile continue to "stew in his own juice in Athens." However, the American ambassador believes any view that Makarios' influence is declining reflects wishful thinking, induced partly by Greek opposition politicians in contact with the British embassy who are disgruntled over their failure to gain Makarios' support for their own ends.

The reported "ultimatum" to Britain on 20 May by the political arm of EOKA probably represents a Greek Cypriot effort to hasten British action regarding new negotiations. It may also foreshadow some kind of civil disobedience campaign.

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NEW ITALIAN CABINET

The Christian Democratic minority government of Adone Zoli may depend on the "benevolent abstention" of some of the small parties when it seeks

parliamentary confirmation on 29 May, but its chances of confirmation are at present rated fairly good. Zoli reportedly is working out a program that

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might give his government more than "caretaker" status.

Zoli seems to have emphasized technical competence in making his cabinet choices, including one nonparliamentary member without any party affiliation. The appointments show a delicate balance among the factions within the Christian Democratic Party.

Zoli has scheduled his appearance before parliament for next week, presumably to provide time to resolve internal party disagreements over the government program. He intends to tackle the problems now before parliament as well as others he considers urgent. Reportedly, however, Zoli has encountered some opposition to a program which would give his

government more than the caretaker functions to which the right wing of his own party would like to limit him.

Though the Democratic Socialists, who precipitated the crisis by withdrawing their 19 votes, have indicated that they will oppose a one-party government, the American embassy in Rome on 22 May still expected the government to win confirmation. Preliminary estimates give Zoli a victory in the Senate, and from 274 to 334 favorable votes out of a possible 590 in the Chamber of Deputies, with enough abstentions in either case to ensure confirmation. If only the 265 Christian Democrats support him, however, the possibility of a new crisis is heightened. The debate is expected to last about a week.

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JAPAN CONSERVATIVES PLAN CRACKDOWN ON LEFTIST LABOR

Japan's ruling Liberal-Democratic Party, under the guidance of Prime Minister Kishi's cabinet, is planning a new labor program which would curb the political power of the leftist Japan General Council of Trade Unions (Sohyo), but would also include "progressive" features designed to have wide popular appeal. The program provides for strengthening the penalties for illegal activities by Sohyo's 3,000,000 members, particularly strikes by public corporation employees. The government has the support of business, the press, and the general public, all of which resent Sohyo's ability to stage

strikes and violent demonstrations at will and with virtual impunity.

The Liberal-Democratic Party has formed a labor policy committee to draft a program which will be submitted to the Diet for legislative approval next fall. The committee apparently contemplates some curtailment of the checkoff system, under which union dues are deducted in advance from salaries. This has been one of the principal sources of funds used by Sohyo for political struggles in support of the Socialist Party.

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The prospective program also would authorize the levying of fines and jail sentences for leaders of strikes against public corporations. Such strikes are already illegal but punishable only by worker discharges, suspensions and reprimands. The legislation would also make public corporation unions responsible for financial losses caused by their strikes.

In the field of "progressive" legislation, the Liberal Democrats are likely to study the implications of minimum wage legislation. This has become an important issue in Japan which the Socialists have exploited to some advantage. The conservatives are under pressure to take action on the matter, but are opposed by small-

and medium-size businesses which generally would be unable to absorb the increased cost. Nevertheless, the party feels obliged to make a start in this direction, in principle if not in practice.

Sohyo, working through the Socialist Party, can be expected to fight against restrictions of its power and has threatened to follow up its nationwide strikes of 11-12 May with further strikes in June. However, the conservative parliamentary majority, the widespread belief that Sohyo is overstepping its bounds, and evidence that leftist labor solidarity is breaking down in the face of government actions and threats, suggest that the cabinet's program can be enacted successfully.

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SOUTH KOREAN ARMED FORCES COMMAND CHANGES

President Syngman Rhee announced on 18 May the most sweeping changes yet made in South Korea's armed forces high command. General Paek Son-yop,



GENERAL PAEK

the commander of the first field army, was appointed chief of staff, and Lt. Gen. Yu Chae-hung, the former vice chief of staff, was assigned to be chairman of

the joint chiefs of staff. The latter post is of less importance in the South Korean army establishment. The command of the first army, which includes the bulk of the combat forces stationed along the truce line, went to a relative unknown, Lt. Gen. Song Yo-chang, a former corps commander.

Rhee probably had several motives in making the changes, including a desire to stamp out factionalism in the services and to assure his Liberal Party the military vote in the 1958 assembly elections. He may also believe that by making room for promotions and introducing new blood into command positions, he can improve morale and efficiency.

The president very likely hopes that the removal of Generals Yi Hyong-kun and Chong Il-kwon--the former chief of staff and chairman of the joint chiefs of staff respectively--will eliminate the bitter rivalries which have plagued the South

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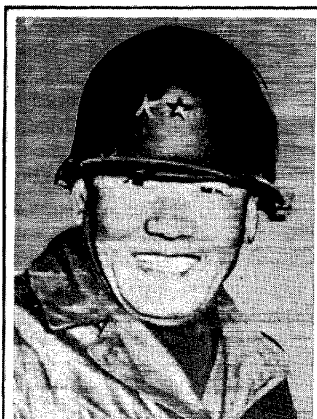
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Korean armed forces. In the past, cliques have tended to settle around the personalities of these two officers, each of whom has attempted to place his supporters in key positions and win personal control over the services. Their removal may reduce factionalism only temporarily, however.

As First Army commander, Paek ordered his troops to support the Liberal Party ticket during the 1956 presidential elections, and Rhee probably ex-



LT. GENERAL SONG

pects him to do the same in 1958. Paek will be the only full general holding a command position, and Rhee may plan to release him following the elections in line with his reported intention to retire all four-star generals.

These command changes will probably not affect the combat capability of the armed forces. Paek has been chief of staff before and is considered a competent officer, as are Yu and Song. None of the three is known to be a supporter of Rhee's dream of a unilateral "march north" against the North Korean and Chinese Communists.



LT. GENERAL YU

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PART III**PATTERNS AND PERSPECTIVES****PUBLIC DISCUSSION IN THE USSR**

"There was a time when it appeared that only one creative mind could solve all the problems for everyone. The collective intellect deprived of trust was at times left unwanted, without work. Very many members of the older generation, alas, forgot what they had once known, while the younger generation could not even begin to think independently without hackneyed

quotations and parroting. But the time has come to dispense with this sad legacy of our recent past."

So stated S. Strumilin, the foremost Soviet economic theoretician, in an article published last December, describing the stultifying effects of Stalinism on the Soviet professions.

The creation of a political and social climate for

SOVIET VIEW OF "SELF-CRITICISM" AMONG BUREAUCRATS

--FROM KROKODIL, 10 APRIL 1957

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the development of public discussion has been one of the principal domestic goals of the post-Stalin regime. By appealing to reason and retreating from the arbitrariness of the Stalin era, the Soviet leaders are attempting to enlist active popular support for the solution of complex and pressing domestic problems.

Since 1953, when Soviet citizens were officially permitted to examine "contradictions" in their society, public discussion has been marked by increasing boldness and candor, culminating this year in extremely frank discussions of domestic problems and shortcomings in the Soviet Communist Party press. The regime finds it necessary, however, continually to redefine the limits of these discussions lest they conflict with its interests.

The Stalin Period

Public discussion under Stalin was stifled by fear of the ubiquitous secret police, particularly after the great purges of the late 30's, and by official insistence on a facade of social harmony and economic prosperity. The lively debates of the 20's over serious domestic issues gave way to stagnant conformism.

Following World War II, the Soviet regime, faced with the difficult task of reimposing the strict ideological control relaxed during the war, sought to gain support for its policies by encouraging public discussion. Although conducted within strict limits set by the regime, discussion in this period, both in the party and in the professions, was considerably more candid than after mid-1948.

Zhdanov, Stalin's spokesman for ideological purity in this period, made the unre-

cedented assertion that there was a "conflict of contradictions" (a euphemism for important unresolved problems) in the USSR and that it could be resolved primarily by "criticism and self-criticism." This, Zhdanov maintained, constituted the principal dynamic element, the "moving force," in Soviet society, distinguishing it from capitalist society in which coercion and "class struggle" were said to prevail.

This early postwar campaign to ensure ideological control through discussion and persuasion failed, however, largely because of passive resistance to the regime's demands for economic austerity and intellectual conformity. As a result, from mid-1948 on, Stalin found it necessary to revert increasingly to his traditional policy of terror. After 1948, the purge of "cosmopolitan" intellectuals, the decapitation of the Leningrad party organization and the transfer by force of "alien" people from the border areas of the USSR poisoned the atmosphere of public discussion. During Stalin's last years the Soviet people were in effect officially forbidden to see, hear, or speak evil about their domestic life.

Post-Stalin Period

Since Stalin's death and the purge of secret police chief Beria, the Soviet leaders have attempted to stimulate public discussions of important domestic problems, again within strict limits defined by the regime. The convocation, on a fairly regular basis, of plenary sessions of the party central committee has served not only to reactivate the party as the leading political institution in the Soviet state but also to focus national attention on such outstanding problems as agricultural production, industrial modernization, and, more recently, economic decentralization.

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The regime has also sponsored numerous professional meetings, published many new professional journals, and liberalized some of the security procedures in the professions. These measures, which have helped to reduce some of the barriers within and between professional groups, were designed to elicit professional know-how and public support for the solution of national problems.

Since 1954, when Zhdanov's dictum on the role of "criticism and self-criticism" as the "moving force" in Soviet society was revived intact, Soviet intellectuals have been examining domestic "contradictions" with increasing boldness and candor. Despite their use of Marxist jargon, these intellectuals have directed fairly pointed criticism at Soviet domestic life, some of them skirting perilously close to heresy.

Beginning in the spring of 1955, for example, some Soviet intellectuals intimated that low living standards were an important source of such so-called "survivals of capitalism" in the USSR as the anti-Soviet attitudes of the population. Others have held that differences do exist within and between Soviet social groups, and that, although they are not "antagonistic" nor comparable to the "class struggle" said to exist under capitalism, they can lead to serious conflicts of interest if they are not promptly recognized and dealt with by the party leaders.

Although Soviet intellectuals have stressed in their public discussions the essential harmony between the Soviet regime and people, they have warned that toleration of "mistakes" in policy can damage Soviet social stability. The glossing over of real "contradictions" in Soviet society in Stalin's time, according to

these intellectuals, disarmed Soviet cadres and left them ill-equipped to deal with the pressing problems of the day. They have candidly asserted that failure to recognize and struggle with existing domestic problems could weaken the USSR.

Since De-Stalinization

The reaction to de-Stalinization by elements within the Soviet party and population, as well as the events in Poland and Hungary last fall, appears further to have brought home to the Soviet leaders some of the glaring inadequacies in their domestic education and indoctrination program. After their initial reaction to the Polish and Hungarian developments--the tightening of controls, the warnings against subversion, and the increased calls for vigilance--the Soviet leaders seem to have recognized that repressive words and deeds were inadequate to cope with real popular grievances. The more candid and realistic treatment this year of domestic problems in the Communist Party press indicates that the Soviet leaders believe that in the long run they can better control, and even reduce, popular dissatisfaction by providing a legitimate avenue for public expression in the state-controlled organs of public communication.

By admitting publicly that the USSR is a good deal less than perfect, the Soviet leaders are attempting to identify themselves with the interests and aspirations of the population at large. By permitting popular grievances to be aired, as they were at the February Supreme Soviet meeting, the regime hopes to steal the thunder from the so-called "politically immature" or "demagogic" elements in the population and to convince the masses that it is seriously attempting to improve their material welfare.

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The difficulties Soviet leaders face in controlling discussion within the Communist Party itself were recently revealed by the party journal Kommunist, which admitted the existence of "contradictions" within the party. Although these "contradictions" were said to take the form of "controversies" between "like-minded persons over the best ways and means of solving the tasks facing the party," the brunt of Kommunist's criticism was directed against party members who had attacked party policies and the party apparatus. By admitting the existence of "contradictions" within the party and by criticizing "politically immature" party members, the regime is attempting to direct discussion within the party along desired lines and warn the "hostile" deviators of the potential dangers of their behavior.

Motivation

The efforts of Stalin's successors to develop professional and popular support by limiting the role of coercion in Soviet public life derive from a recognition that Stalin's methods were both dangerous and unproductive over the long run. Stalinism had produced in the Soviet system a complex of internal disorders, none of which was fatal but which together threatened to retard seriously the growth of Soviet national power.

The Soviet leaders have had to appeal in some measure to the public, primarily because their efforts to diagnose the real condition of Soviet society and remedy its disorders have been obscured and hindered by widespread public apathy and inarticulateness. If these measures should fail, the regime would be faced with the prospect of reverting to terrorism, with all its negative consequences.

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DETERIORATING CONDITIONS IN SPAIN

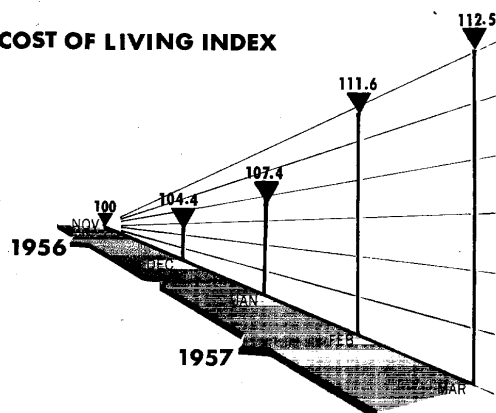
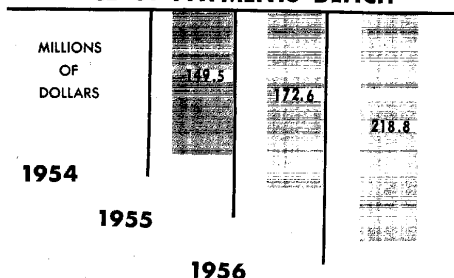
The severe inflation in Spain is causing increasing dissatisfaction with Franco's regime even among the groups that have supported him in the past. The regime is in no immediate danger, but the deterioration in its position seems likely to continue as the cabinet appointed three months ago delays coming to grips with the country's increasingly serious economic problems.

Economic Difficulties

Spain remains in the grip of strong inflationary pressures set off during 1956 by expanding bank credit, extensive deficit financing of industrial development and welfare projects, and substantial wage increases without a corresponding rise in productivity. Unusually severe winter weather which damaged citrus and olive crops

contributed to the economic difficulties by depriving Spain of approximately \$100,000,000 in much-needed foreign exchange.

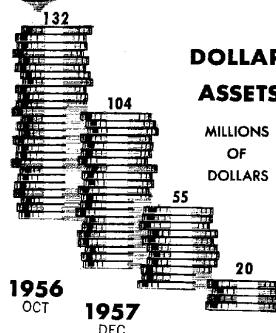
Spain entered 1957 with an estimated dollar reserve of only \$20,000,000--less than a fifth of its holdings 14 months before--and the cost of living increased 12.5 percent from November 1956 to March 1957. Within the past few weeks a shortage of wheat has become a serious problem, and the government has pressed the United States for emergency shipments of 500,000 metric tons of wheat before 30 June as an alternative to drawing on scarce foreign exchange. The new crop is expected to fall a million tons short of the country's annual consumption, and Spain is seeking still more American surplus wheat by mid-1958, to be paid for in pesetas. Nevertheless,

COST OF LIVING INDEX**BALANCE OF PAYMENTS DEFICIT***SPAIN***SECRET**

1954

1955
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DEC**DOLLAR ASSETS**

MILLIONS OF DOLLARS



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in a speech on 17 March, Franco referred to the economic crisis as "a small difficulty," and, except for seeking more American aid, he has since taken no action suggesting a graver view of the problem.

The only important step taken since the cabinet shake-up of 25 February is the replacement of the multiple foreign exchange system by a single import-export rate for the peseta in order to increase Spanish exports to dollar markets and reduce the large trade deficit.

Various anti-inflationary measures still under discussion include the encouragement of foreign capital participation in Spanish enterprises, the establishment of an interministerial committee to examine expenditures, and reductions in the level of new debt issues in Bank of Spain credits to government organizations and in capital allocated to government-operated industry.

Franco has three possible courses of action. He can elect to do nothing, in which case present inflationary trends will continue; he can introduce a policy of retrenchment to combat inflation, taking the risk of further alienating the still powerful Falange; or he can follow a policy of big spending which, while stilling worker discontent temporarily, would ultimately contribute to inflation and further estrange labor as well as influential conservative elements of his support.

Disaffection in the Falange

Franco is reluctant to adopt a policy of retrenchment, chiefly because he does not wish to face a showdown with the Falange--Spain's only legal political party and an important source of the regime's stability. The Falange has long sought--without much success--to develop strong labor support, and it would suffer a critical blow from a reduction in government

spending for social and welfare projects accompanied by rigid wage controls under conditions of rapidly rising prices. As it is, the economic crisis has been responsible for increasing disaffection in the Falange.

Franco set the Falange back severely last winter when he rejected drafts of laws which would have ensured its position in Spain's political life. The church, the army, and business and landowning interests have long opposed the Falange's efforts to consolidate its position, and Franco has always been careful to prevent any element of his support from becoming too powerful. Many Falangists believe that the party, though formally retaining its position in the 25 February cabinet reshuffle, actually lost further ground.

An internal crisis in the Falange is apparent in the number of resignations tendered by minor party officeholders in recent weeks. Resignations have been noted particularly in Valencia, where many Falangists reportedly fear that the long delay in naming a civil governor may mean the army and church have been successful in bringing about a separation of the functions of the provincial head of the Falange from those of the civil governor. Franco's reduced support is most apparent among the party "old shirts"--pre-Civil War members--whose mainstays in the cabinet have been replaced by considerably less important party figures

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Other Falangists, notably the poet Dionisio Ridruejo, have left the movement in the past year or so and are trying to organize opposition parties of the left. The American embassy believes that if Franco gives the "old shirts" further cause

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to question his intentions, a mass secession from the party may develop.

Conservative Discontent

The various groups balanced against the Falange in Franco's cabinet fear the Falange's "leftist tendencies" and some of them would be further disturbed by a government big-spending program. The economic crisis will also increase their concern over Franco's decreasing popularity and his failure to provide for a successor.

Business interests are dissatisfied with rising costs of production, and elements of the church are moving to disassociate themselves from the regime. Among the military,

salaries are
grossly inadequate

Popular Unrest

General unrest over the cost of living was evidenced by the transportation boycotts in January and February following a fare increase in Barcelona and Madrid. Since the cabinet reshuffle, it has been seen in a slowdown strike of coal miners in Oviedo in March. Continued restrictions on freedom of expression have intensified student hostility and dissatisfaction among intellectuals.

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With his long-practiced skill at playing one group against another and his still unquestioned ability to suppress overt hostility to his regime, Franco is in no immediate danger. His position, however, is less secure, and the deteriorating economic situation may spur many who now support him to look elsewhere for a champion of their interests.

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MAO TSE-TUNG'S UNPUBLISHED SPEECHES

On 27 February Mao Tse-tung delivered an address before the Supreme State Conference on "The Correct Handling of Contradictions Within the Ranks of the People." The Supreme State Conference is a gathering of China's top officials convened at irregular intervals to hear Mao set new lines for Peiping's major policies. Following the conference, Mao spoke on the same subject at the National Conference on Propaganda Work on 12 March. Mao's remarks have not been published.

[redacted] the Chinese press is carrying extensive commentaries on Mao's analysis. From these commentaries, the following emerge as Mao's key points:

(1) Mao distinguished between two types of contradictions, i.e., antagonistic contradictions "between us and the enemy" (which are irreconcilable) and nonantagonistic contradictions (which are adjustable). Cautioning that the latter could become antagonistic if badly handled, he stressed the need for persuasion rather than force in mollifying malcontents. He noted that China's present contradictions were largely antagonistic; for example, the contradiction between the people's demand for higher incomes and the economic conditions that thwart this demand. There are also contradictions between the military and the populace, between military officers and enlisted men, between peasants and workers, between co-operatives and peasants, and between government organs of upper and lower levels. Above all, Mao addressed himself to the contradiction between the people and the leaders.

(2) In discussing remedies, Mao stressed the urgency of correcting bureaucratic methods of leadership. In accordance with his recommendations, the party's central committee has called for a program to rectify bureaucratic habits among officials, who have been directed to gain new insights into local problems by establishing direct contact with the populace. Party, government and military officials have been urged to engage in manual labor "among the masses," adopt a self-critical attitude, and permit the populace to express their opinions "boldly and freely."

(3) Mao warned against the errors of dogmatism and doctrinairism and strongly reaffirmed his policy to "let all flowers bloom and diverse schools of thought contend."

Mao's remarks on this point were critical of tight Soviet control over the arts, [redacted]

[redacted] Mao reportedly attacked a playwright for opposing the "all flowers" concept, observing that the playwright's views had been published by the Russians. "Birds of a feather flock together," Mao is said to have observed wryly.

[redacted] Mao cited the following examples of popular disaffection, which he interpreted as examples of nonantagonistic contradictions:

(1) A planned march on the capital by students dissatisfied with the employment offered them after graduation. They were dissuaded by Mao's offer to receive a delegation in his office.

(2) Student strikes at the Universities of Chengtu and Chungking.

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(3) A march by dissatisfied cadres from Chengting toward Peiping to present their grievances to Mao. They were persuaded to turn back. The method reportedly recommended by Mao for resolving internal contradictions was the method of patient persuasion and ideological re-education rather than crude or "administrative" methods.

Mao reportedly analyzed two kinds of democracy. One was "big democracy," which meant strikes, demonstrations and other strong manifestations of the popular will. The other was "little democracy," which meant all forms of argument, negotiation and discussion. Within the ranks of the people, "little democracy" was normally correct, but nevertheless there might sometimes be scope and need for "big democracy." The deputy director of the party's propaganda department stated on 7 May that the Chinese populace had the "right to demonstrate and strike" and that "no leaders of strikes should be penalized."

In Poland, Mao's views have been hailed by the liberal Communists as support of their demands for complete freedom of discussion and dissent, and the trade union newspaper *Glos Pracy* keyed Mao's remarks on "all flowers" to a denunciation of local "Stalinists." At the recent Polish party plenum, Gomulka endorsed Mao's doctrines, including the "all flowers" thesis. At the same time, he made clear he would limit the application of this doctrine in Poland when he attacked the liberal Communist "revisionists" who endanger the

regime by advocating or tolerating anti-Communist views.

The Soviet leaders will probably react to Mao's speeches with mixed emotions. Part of Mao's thesis, particularly his view on contradictions, is generally in line with long-held Soviet views on this subject (see Part III, p.1), and a key Chinese editorial in Mao's analysis of contradictions was reprinted in *Pravda* in April.

The Soviet leaders apparently considered the Chinese editorial in harmony with their own campaign against bureaucratic practices in the Soviet administrative structure. They may also have intended, in taking note of a major pronouncement by Mao, to emphasize the close ties which exist between Moscow and Peiping.

Mao's theory of "big democracy," with its implied acceptance of the right to strike, however, will probably be distasteful to Moscow at a time it is experiencing troubles with labor unrest. Even more disagreeable to the Kremlin would be Mao's alleged slap at Soviet cultural policy contained in the "birds of a feather" reference.

Actually, Mao's thesis of contradictions within a socialist society is no great departure from Soviet theory, which has also drawn a sharp line between "antagonistic" and "nonantagonistic" contradictions. Chinese commentaries on the speech do not support the inference made by some Western observers that Mao held the "system" gives rise to insoluble

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problems between the party and the populace. Like Soviet theorists, the Chinese writers insist that the socialist system is "correct." The Chinese, however, have given greater emphasis than the Russians to the theme that, even with the best "system," all Communist parties are fallible, and all must be vigilant to keep their mistakes from becoming widespread and lasting.

Mao's purpose in making the speech is to be found in his apparent determination to apply to Communist China the lessons of unrest in Poland and Hungary. His preoccupation with the contradiction between the people and their leaders suggests that he saw some parallels between popular unrest in Eastern Europe and the state of morale in China, and supports other reliable evidence of growing alienation of the Chinese populace from the leadership.

The Communist Party line is a notoriously shifting guide to action, but for the present, Mao's speech would appear to assure a "soft" approach by Peiping's leaders to China's internal problems. With respect to intrabloc relations, Mao's prestige is such that few Communist leaders will dismiss lightly his appeal to avoid the use of force except as a measure of last resort. While the USSR is probably annoyed at the anti-Soviet overtones being read into Mao's speech, Mao is far from aligning himself with hostile critics of Kremlin policies. When force must be applied, as it had to be in Hungary, Mao provides Moscow with a ready rationale in the thesis that repressive measures are justified against groups who cause nonantagonistic, contradictions to take on an antagonistic, or "enemy," form.

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